

**REPORT OF THE AUDIT OF THE
WARREN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Michael O. "Mike" Buchanon, Warren County Judge/Executive

Honorable Jerry "Peanuts" Gaines, Warren County Sheriff

Members of the Warren County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Warren County, Kentucky, for the year ended December 31, 2002.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Warren County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
WARREN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**

**ROSS & COMPANY, PLLC
Certified Public Accountants**

**800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WARREN COUNTY SHERIFF

**For The Year Ended
December 31, 2002**

Ross & Company, PLLC has completed the Warren County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the State of Kentucky for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Sheriff's operating fund and used for operating expenses of the fee official. The remaining twenty-five (25%) of fees collected are deposited to the county government fund and quarterly paid to the county government. These funds are closed out at the end of each four-year term. Any funds left in the operating accounts are paid to the respective county government.

Fee account balances decreased by \$260,711 from the prior calendar year, resulting in a cash surplus of \$0 as of December 31, 2002. Revenues increased by \$57,547 from the prior year and disbursements increased by \$245,882.

Debt Obligations:

Lease agreements totaled \$16,673 as of December 31, 2002.

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Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Sheriff of Warren County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2002. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Sheriff and the receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

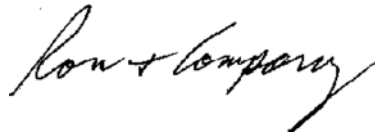
Honorable Michael O. "Mike" Buchanon, Warren County Judge/Executive

Honorable Jerry "Peanuts" Gaines, Warren County Sheriff

Members of the Warren County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross and Company".

Ross and Company, PLLC

Audit fieldwork completed -
October 30, 2003

WARREN COUNTY
JERRY "PEANUTS" GAINES, COUNTY SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For The Year Ended December 31, 2002

Receipts

Federal Grants		\$	57,875
State-KLEFPF			152,745
State Fees for Services			390,277
Circuit Court Clerk			
Sheriff's Security Service	\$	119,300	
Fines/Fees Collected		<u>5,377</u>	124,677
Fiscal Court			1,320,577
County Clerk			4,379
Commission on Taxes			617,419
Fees Collected for Services:			
Auto Inspections	\$	42,650	
Court Costs for Fiscal Court		64,110	
Serving Papers		126,380	
Sheriff's Add-On Fees		70,008	
Carrying Concealed Deadly Weapon Permits		25,020	
Sheriff's Advertising Fees		<u>19,420</u>	347,588
Other Receipts:			
Transporting Prisoners	\$	36,297	
Reimbursements		15,981	
Travel		5,350	
Miscellaneous		<u>3,869</u>	61,497
Interest Earned			<u>6,072</u>
Total Receipts			<u>\$ 3,083,106</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
 JERRY "PEANUTS" GAINES, COUNTY SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 For The Year Ended December 31, 2002
 (Continued)

Disbursements

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$	16,820
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Payments Made By County:

Court Costs to Fiscal Court	\$	64,050	
Transporting Prisoners		14,506	
Refunds		280	
KLEFPF Reimbursement		3,554	
Miscellaneous		158	82,548
			<hr/>

Other Disbursements:

Payroll Reimbursements	\$	57,927	
Other Reimbursements		11,647	69,574
			<hr/>

Total Disbursements		\$	168,942
			<hr/>

Net Receipts		\$	2,914,164
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Payments to State Treasurer:

75% Operating Fund	\$	2,615,356	
25% County Fund		298,808	2,914,164
			<hr/>

Balance Due at Completion of Audit		\$	0
			<hr/> <hr/>

WARREN COUNTY
 JERRY "PEANUTS" GAINES, COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER

For The Year Ended December 31, 2002

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2002	\$ 260,711	\$	\$ 260,711
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	2,615,356		2,615,356
Fees Paid to State - County Funds (25%)		298,808	298,808
Total Funds Available	\$ 2,876,067	\$ 298,808	\$ 3,174,875
<u>Disbursements</u>			
Warren County Government		\$ 298,808	
Personal Services-			
Official's Statutory Maximum	\$ 80,047		\$ 80,047
Sheriff's Incentive	2,965		2,965
Deputies' Salaries	1,532,308		1,532,308
Other Salaries	15,351		15,351
Overtime Gross	180,903		180,903
Employee Benefits-			
Employer's Share Social Security	129,506		129,506
Employer's Share Retirement	223,100		223,100
Employer's Paid Health Insurance	143,276		143,276
Unemployment Insurance	5,027		5,027
Contracted Services-			
Advertising	15,222		15,222
Materials and Supplies-			
Office Supplies	19,693		19,693
Law Enforcement Equipment	75,346		75,346
Uniforms	20,640		20,640
Gasoline	71,302		71,302

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
 JERRY "PEANUTS" GAINES, COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER
 For The Year Ended December 31, 2002
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements</u> (Continued)			
Other Charges-			
Travel and Training	\$ 25,648		\$ 25,648
Dues	1,917		1,917
Postage	18,842		18,842
Telephone and Fax	45,195		45,195
CRT Operations	2,731		2,731
Law Enforcement Insurance	2,926		2,926
Bond	3,654		3,654
Computer/Maintenance/Hardware	25,411		25,411
Computer Software Upgrade	128,818		128,818
Maintenance and Repairs/Radio	5,887		5,887
CRT Equipment	15,197		15,197
Auto Expenses-			
Maintenance and Repairs	54,328		54,328
Capital Outlay-			
Office Equipment	24,969		24,969
Debt Service-			
Lease Purchases	5,858		5,858
Total Disbursements	<u>\$ 2,876,067</u>	<u>\$ 298,808</u>	<u>\$ 3,174,875</u>
Fund Balance - December 31, 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
JERRY "PEANUTS" GAINES, COUNTY SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2002
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the calendar year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deferred Compensation

On February 24, 2000, the Warren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to KRS 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

WARREN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2002
 (Continued)

Note 4. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bonds which named the Sheriff as beneficiary/obligee on the bonds.

Note 5. Leases

On November 27, 2002, the Warren County Sheriff entered into a lease agreement with Gary Force Toyota for the lease of a 2002 Toyota 4 Runner. This lease requires monthly payments of \$450.62. The first payment is due November 27, 2002 with a total of 38 payments required. The lease also requires an additional final payment of \$300 if the vehicle is not purchased. Total due for this lease as of December 31, 2002 is \$16,693.

Note 6. Reimbursed Expenses

The amount deposited to the County Sheriff's Operating Fund (75%) with the State Treasurer included reimbursed expenses. These reimbursed expenses include payments from the state and county in addition to miscellaneous revenues. The following were reimbursed expenses, which were 100% credited to the Sheriff's Operating Fund.

<u>Category</u>	<u>Amount</u>
Fiscal Court Assistance	\$1,320,552
100% Fee	244,907
Kentucky Law Enforcement Program	149,191
Grant Funds	17,355
Payroll Reimbursements	51,220
Refunds	<u>5,281</u>
Total Reimbursed Expenses	<u>\$1,788,506</u>

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Warren County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated October 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Warren County Sheriff's financial statements as of December 31, 2002, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

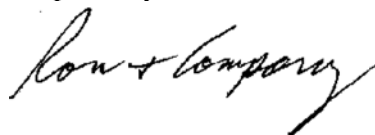
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross and Company".

Ross and Company, PLLC

Audit fieldwork completed -
October 30, 2003

